



Effective Approaches to Support the Implementation of the G20 High-Level Principles on Financial Consumer Protection

Action Plan of the G20/OECD Task Force on Financial Consumer Protection

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For further information please contact Mr. André Laboul, Head of the Financial Affairs Division, OECD [Tel: +33 1 45 24 91 27; Fax: + 33 1 44 30 61 38; E-mail: andre.laboul@oecd.org] or Mr. Michael Chapman, Senior Policy Expert, Financial Affairs Division, OECD [Tel: +33 1 45 24 79 43; Fax: + 33 1 44 30 61 38; E-mail: michael.chapman@oecd.org].



Organisation for Economic Co-operation and Development,
2 rue André-Pascal, 75775 Paris cedex 16, France
www.oecd.org

EFFECTIVE APPROACHES TO SUPPORT THE IMPLEMENTATION OF THE HIGH-LEVEL PRINCIPLES ON FINANCIAL CONSUMER PROTECTION

ACTION PLAN

A) BACKGROUND

Objectives

To identify, within 24 months, a set of relevant effective approaches to support the implementation of the G-20 High-Level Principles on Financial Consumer Protection. In specific terms, the Task Force will work to arm policy makers and financial authorities with a body of knowledge, including comparative analyses of approaches adopted by a cross-section of economies, to inform their efforts to implement the Principles in their economies. Further, the Task Force will identify issues that merit further consideration by the international standard setting bodies (SSB) and other international organizations.

Background

The Principles were endorsed by the G-20 Finance Ministers and Central Bank Governors at their meeting on 14-15 October 2011. The official communiqué states: that we (the Finance Ministers and Central Bank Governors) “*endorsed the common principles on financial consumer protection prepared by the OECD with FSB and call for further work on implementation issues.*”

At the G-20 Cannes Summit, 3-4 November 2011, the G-20 Leaders stated: “*We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions and ask the FSB and OECD along with other relevant bodies, to report on progress on their implementation to the upcoming Summits and develop further guidelines if appropriate.*”

In December 2011, Mexico took over the Presidency of the G-20. Part of Mexico’s G-20 agenda includes the strengthening of financial systems and the promotion of financial inclusion to foster economic development.

In the discussion paper the Mexican Presidency circulated to the G-20, Mexico announced that they will request the OECD (Secretariat of the Task Force on Consumer Protection) to prepare a 24-month work plan for the development of further work on Consumer Protection. Including recent updates, Mexico suggests that:

- At its February 2012 meeting, the Task Force on Financial Consumer Protection should discuss the proposed work plan, including dates, deliverables, standard setting bodies and other international agencies involved and then agree, by a written consultation process, if required, the final version.
- At the April G-20 Meeting of Finance Ministers and Central Bank Governors, the OECD will present an update of the work plan.
- The G-20 leaders will endorse, in June, a work plan for developing further work through the G-20/OECD Task Force on Consumer Protection, in co-operation with the FSB and the commitment to do so within a 24-month period.

The G-20 deputies endorsed the Mexican proposals at their 20-21 January 2012 meeting.

At the G-20 Finance Ministers and Central Bank Governors meeting in Mexico City, February 26, 2012, the G-20 reconfirmed its commitment by stating that; *“We also agreed to work on three areas to foster financial inclusion. First, by sharing the experiences of G-20 and non-G-20 countries under the “G-20 Financial Inclusion Peer Learning Program”, and developing an implementation framework for country commitments for financial inclusion. Second, by recognizing the importance and relevance of the work that the OECD and the International Network on Financial Education (INFE), and the World Bank have been doing on financial education as well as the development of the High Level Principles on National Strategies of Financial Education by the Los Cabos Summit. Third, advancing the financial consumer protection agenda by developing effective approaches to support implementation of the High Level Principles endorsed in Cannes.”*¹

G20/OECD Task Force on Financial Consumer Protection

The High Level Principles were developed by the Task Force on Financial Consumer Protection of the OECD Committee on Financial Markets (CMF), in close co-operation with the FSB and its Consultative Group, SSB and other international organisations, and consumer and industry associations. Task Force members represented a range of government agencies, including finance ministries, financial regulators, and supervisory authorities. In addition, the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP) and the World Bank, as observers on the Task Force, brought valuable insights to the table.

The Task Force will now develop effective approaches to support the implementation of these Principles, within the same in-depth cooperative and consultation process.

At its meeting on 14 February 2012, the G20/OECD Task Force on Financial Consumer Protection decided to first *“assess further the need for work to develop guidance on effective approaches”* to support the implementation of the High-Level Principles before agreeing on the proposed action plan to be submitted to G-20 leaders.

It also agreed, at this meeting, to review existing international instruments. As a first step, the Secretariat began to review what had already been done and what gaps, if any, exist in the body of work on financial consumer protection undertaken by SSB and relevant international organisations. This process was facilitated by a conference call on 21st March 2012 between members of a special SSB advisory group established to assist in the review process and in order to ease the work-load of SSB contribution to the Task Force. Current members of this advisory group include IOSCO, IAIS, IOPS and FinCoNet.

¹ Communiqué of Finance Ministers and Central Bank Governors of the G-20, Mexico City, February 26, 2012

In addition, it was agreed that the Secretariat would seek the opinion of all Task Force Members on the importance of further guidance on each of the High-Level Principles, which would help establish priorities among them. To this end, the Secretariat developed a short survey which was completed by more than 20 economies including 14 G-20 members and the Chilean and Spanish economies, invited to participate in G-20 meetings during the Mexican Presidency. This survey also asked about what type of guidance (policy guidance, relevant practices and other) would be more useful for each principle, as well as whether there was a need for guidance beyond clarification and interpretation.

The results confirmed the need, expressed by a significant number of members, for identifying effective approaches on selected priority principles, and the specific modalities that the compilation of effective approaches should take. The process also allowed the identification of key priority areas, of which three of them were discussed at a progress seminar organised at the occasion of the Task Force meeting on 2nd April, 2012.

That Progress Technical Seminar involved participation of industry and consumer association representatives. The focus of the seminar was to hear the views of consumer and industry associations and from individual Task Force members, on the direction and scope of the work required to support the development of effective practices on the three priority principles.

The Task Force had a subsequent meeting on the same day to finalise a draft proposal of the action plan to be submitted to the G-20 Finance Ministers and Central Bank Governors meeting, in Washington on 19-20 April, 2012. After further written process, an updated version of the action plan was circulated to that G-20 April meeting. In their communiqué, the G-20 Finance Ministers and Central Bank Governors asked “*the G20/OECD Task Force on Financial Consumer Protection to develop, with the FSB, effective approaches to support the implementation of the High Level Principles, endorsed in Cannes, and recognize the importance of an active participation in this process*”. The following text reflects the final revision of the updated Action Plan, which was transmitted for the consideration of the G-20 leaders at their Los Cabos summit.

B) ACTION PLAN

The main directions for work to be developed in the action plan are the following:

The objective is to support the implementation of the High-Level Principles on Financial Consumer Protection by providing information on approaches adopted by a cross-section of economies. This may also include specific recommendations for further work to be developed by SSB and relevant international organisations, as appropriate and depending on availability of their resources.

The work will first focus on the three following priority principles:

- Disclosure and Transparency (principle 4)
- Responsible Business Conduct of Financial Services Providers and Authorized Agents (principle 6)
- Complaints Handling and Redress (principle 9)

Given the range of issues covered under the principle on Responsible Business Conduct of Financial Services Providers and Authorized Agents, Task Force members will work to identify the issues of most concern to authorities, consumer groups, international organizations, and industry. In addition, the Secretariat will poll Task Force members on their priority concerns.

Work to support the implementation of the principle on the role of oversight bodies will be delegated to the relevant SSB. Work to support the implementation of the principle on financial education will be conducted directly by the OECD International Network for Financial Education (INFE). Information on development of work on both principles will be provided to the Task Force and G-20 when appropriate.

The first step for this work will consist of identifying, for each of these three principles, effective approaches, at international, regional and national level which provide relevant examples of effective approaches to implement the principles. Main related problems, challenges, pros and cons will also be identified.

This data collection will first rely on existing information available at the international or regional levels in order to ease, as much as possible, country survey workload.

The Task Force will use the means it considers appropriate to identify relevant financial consumer protection initiatives and examples of effective approaches at the country level. In the case of EU countries, the European Commission will provide the minimum requirements requested for member states, as covered by existing EU Directives relevant for financial consumer protection.

Task Force members will be invited to nominate volunteers to act as Vice Chair(s) for each of the three priority principles. The Vice Chair(s) will have a leading role in contributing to strategic overview, co-ordinating the work, keeping the process moving forward and reporting back on the progress and concerns related to the development of the effective practices. The Vice Chairs will work with task force members and other stakeholders to identify the most effective means to gather and assess information associated with their issue. The Secretariat will closely assist the Vice Chair(s).

The Task Force will identify, on a continuous basis, existing and ongoing international standards, guidelines and best practices. Work will continue through the special SSB sub-group, to assess, in greater depth, existing coverage of SSB sectoral work on financial consumer protection. Further outreach activities will be undertaken to ensure that other SSB and relevant international bodies issuing international instruments are included in this process.

There will be continued engagement with stakeholders, including consumer and industry associations, to identify approaches that merit highlighting as examples of successful approaches and those considered to be effective and, where relevant, examples of actions that have been less effective.

The Task Force will consult and coordinate with relevant international bodies and with G-20 GPFI. In addition, the Task Force ask AFI, CGAP, and the World Bank to support its efforts. Other bodies will be consulted as relevant (for instance the International Network of Financial Services Ombudsmen Schemes (INFO Network)).

Seminars may be organised, as appropriate, to advance work on specific issues, such as those related to consumer behaviour, as analyzed in the field of behavioural economics.

Ongoing work will be undertaken throughout the process to identify and analyse different approaches and ways to measure the effectiveness of financial consumer protection policies.

The development of the body of effective approaches, information and analysis will be a dynamic process and the responsible Vice Chair will keep the Task Force up-to-date on developments. The Vice Chair(s) will confer with the Chair on a regular basis. The Task Force will make any necessary changes to the action plan, reflecting any unforeseen developments and complexities, which impact on the progress of the effective approaches.

A body of information on effective approaches for the implementation of the three priority principles will be developed over a 16 month period. Methods of effectively disseminating this information will be explored and tested over the same period. Results of this work will be presented to the G-20 Finance Ministers for the Russia G20 Leaders Summit, September 2013.

The work will take place in close cooperation with the FSB, G-20 and OECD bodies, including consultation with these bodies at appropriate stages in the process.